



# OUTLOOK 2022

« *A silver lining* »

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19.11.2021



# GLOBAL BALANCED EXPERTISE OUTLOOK 2022

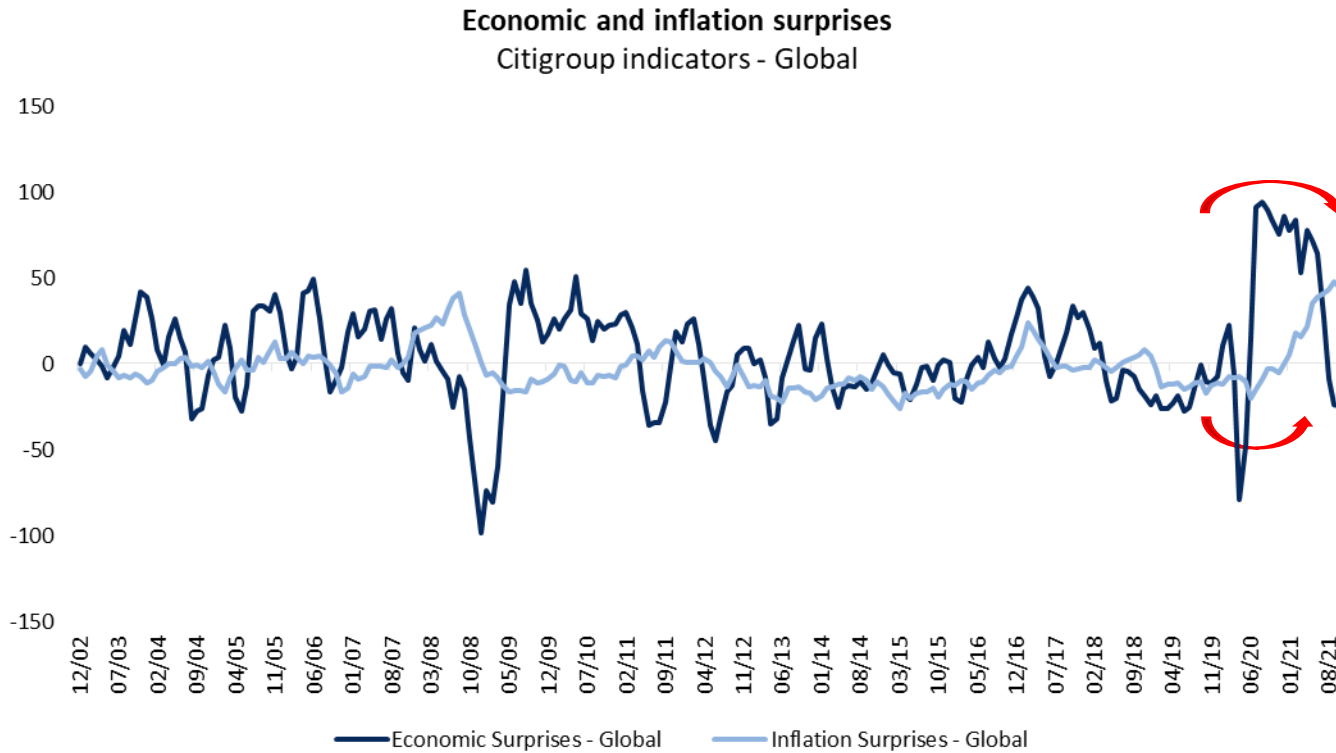


Olivier Van Haute

*Fund Manager Global Balanced DPAM*



# ECONOMIC & INFLATION SURPRISES



Source: Citigroup, DPAM, Bloomberg – 29/10/2021



# POSITIONING 2022

	--	-	/	+	++	Comment
<b>Equities</b>						
Europe						
US						<i>Risk/reward less favorable than in 2021. Transitioning from early to mid-/late cycle. Fundamental case remains attractive with above trend growth, strong drivers and loose monetary conditions.</i>
Emerging Markets						
Japan						
<b>Government Bonds</b>						
Europe						<i>Rising rates remain the biggest risk for government bonds. However, we believe the upside risk is capped given the continued presence of central banks in the market. Inflation expectations could go higher still, but a lot has been priced in already.</i>
US						
Emerging Markets						
<b>Credit</b>						
Investment Grade						<i>Spread tightening beyond current levels should not be expected, but a strong widening neither. The asset class has become a more stable carry component of a multi-asset mix.</i>
High Yield						



# 1

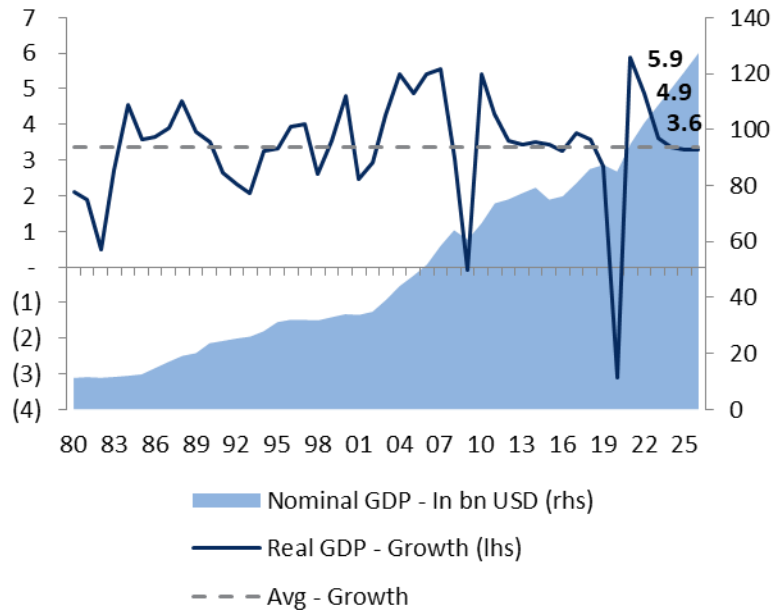
## GOVERNMENT BONDS



# GROWTH OUTLOOK

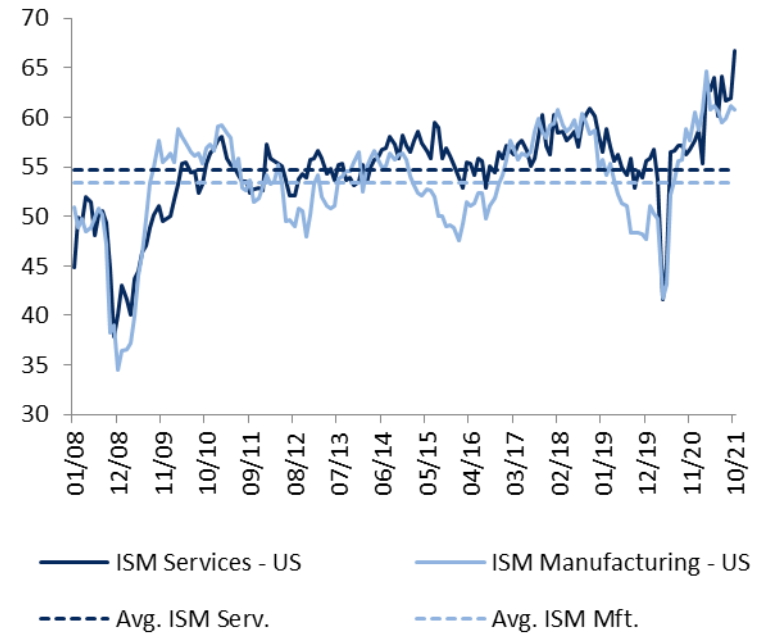
## World GDP growth

IMF data : 1980 - 2026 (forecasts from 2021)



## Soft Data - ISM survey data

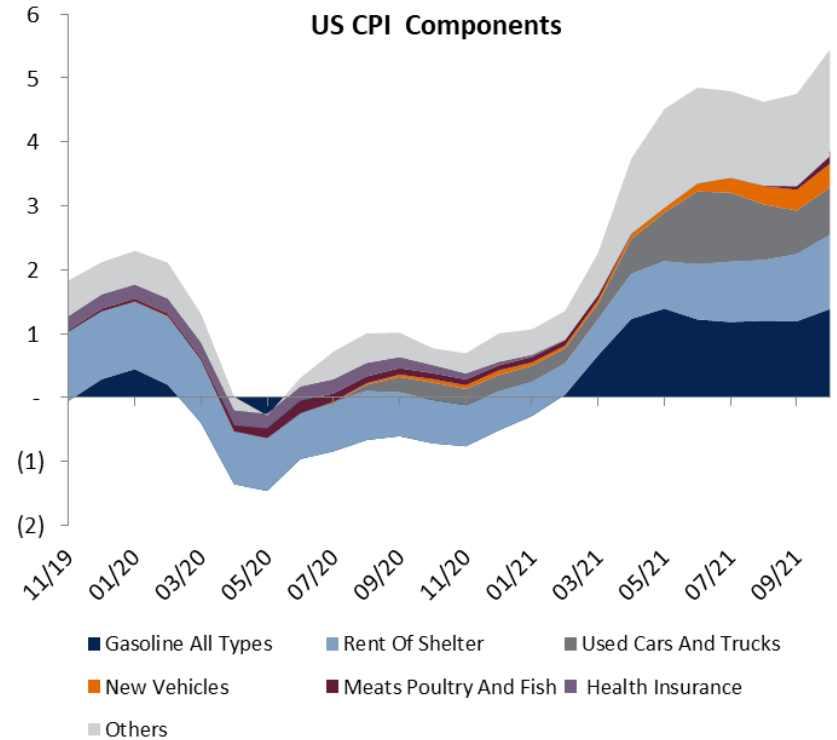
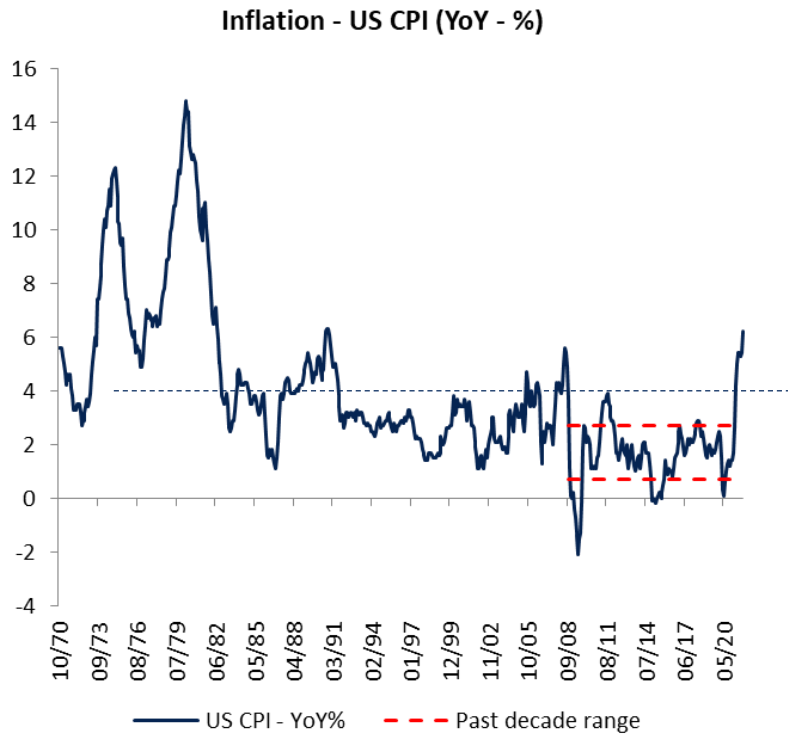
US Manufacturing and Services



Sources: IMF (left), ISM (right), DPAM, Bloomberg – 31/10/2021



# INFLATION

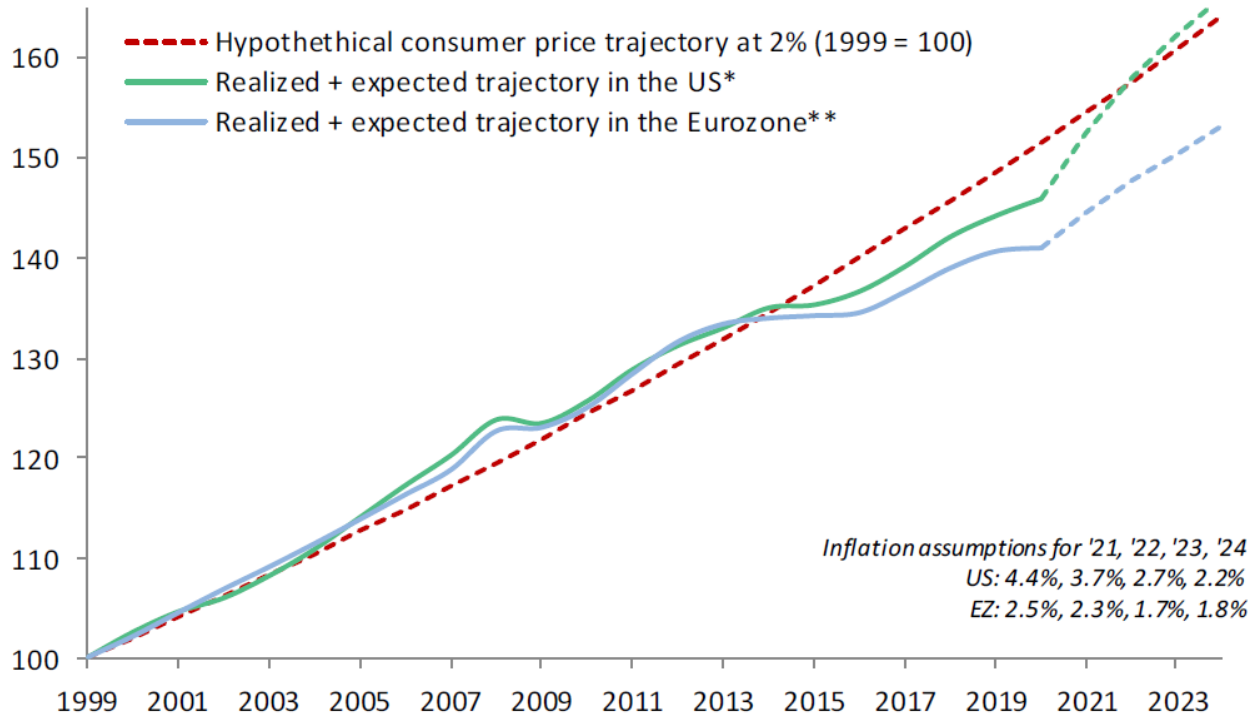


Sources: Bureau of labor statistics, DPAM, Bloomberg – 31/10/2021



# INFLATION

## Realized and expected inflation trajectory



\* US chain-type price index for personal consumption expenditure  
\*\* HICP All Items

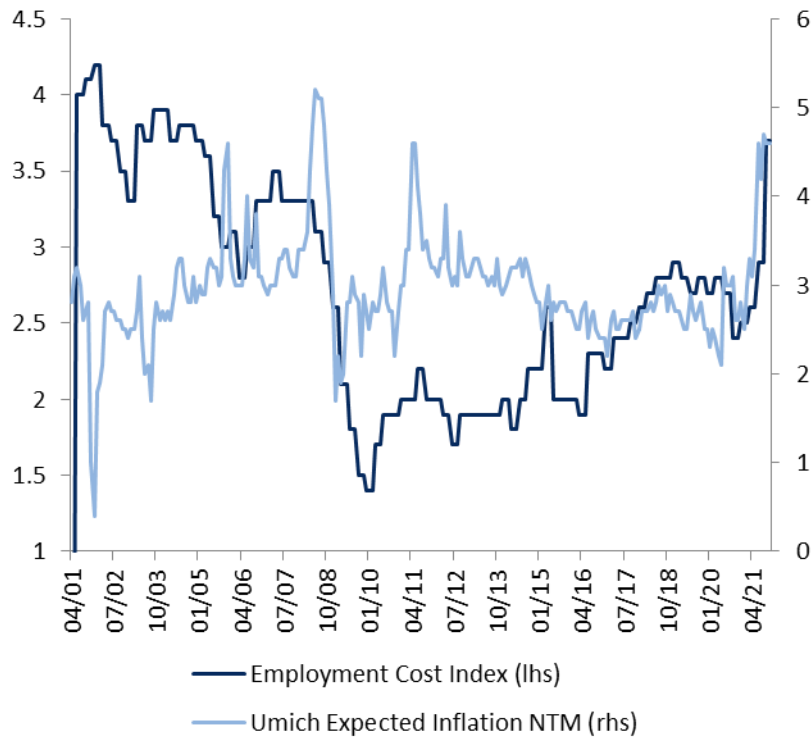
Sources: Bureau of Economic Analysis, ECB, DPAM – 31/10/2021





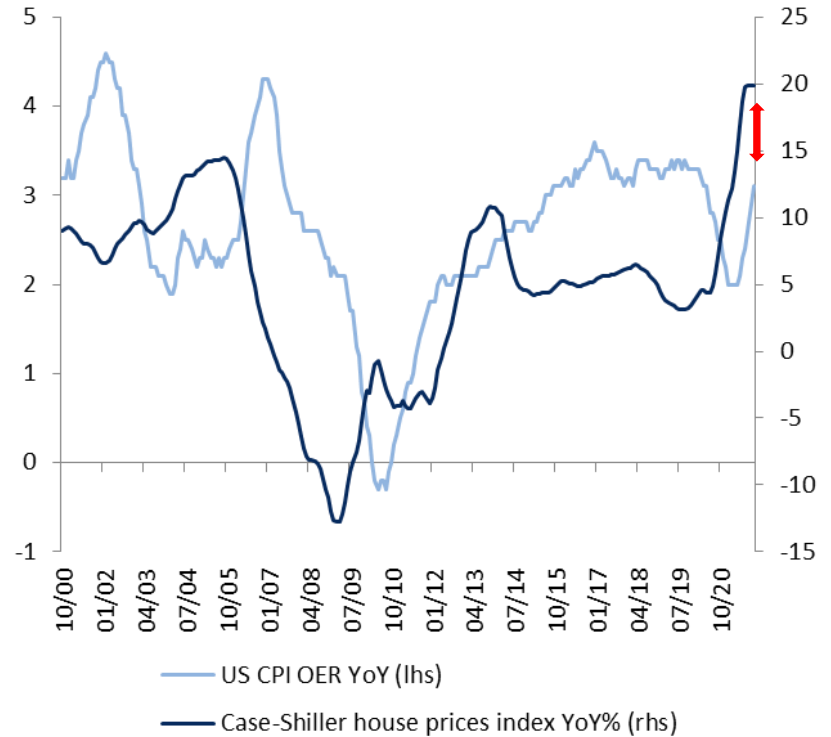
# INFLATION RISKS

## Wage inflation - US



Sources: Bureau of Labor Statistics, Bloomberg, DPAM – 29/10/2021

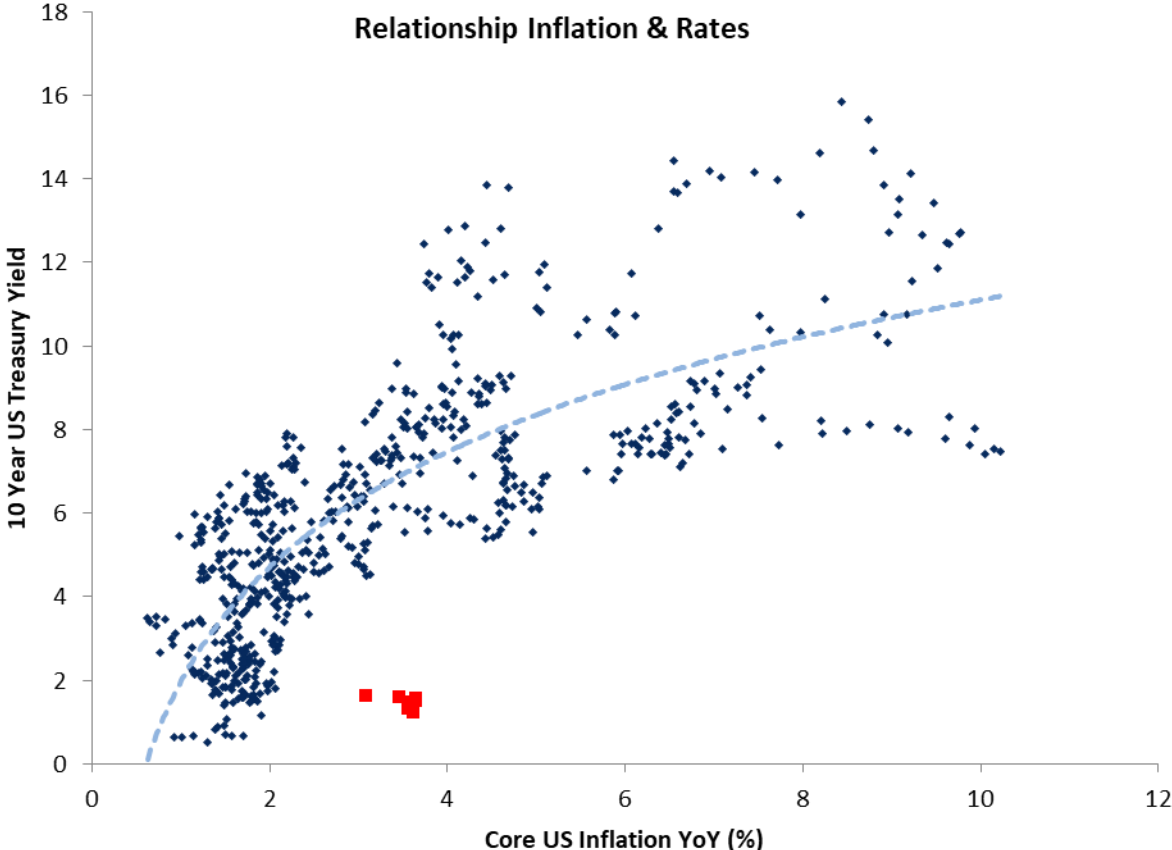
## Housing rents - US



Sources: Bureau of Labor Statistics, Bloomberg, DPAM – 31/10/2021



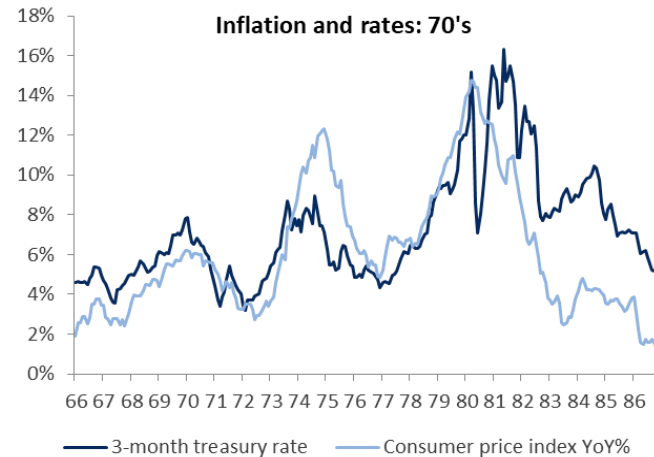
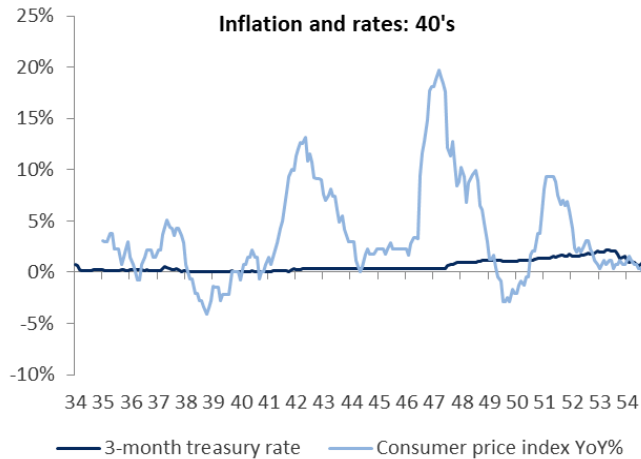
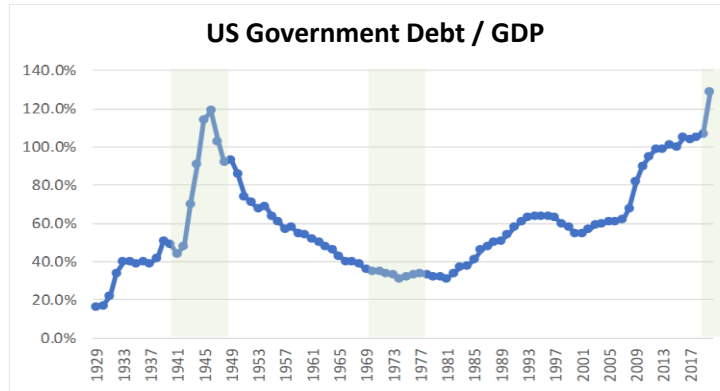
# INFLATION AND RATES



Sources: Bloomberg, DPAM – 29/10/2021



# INFLATION AND RATES

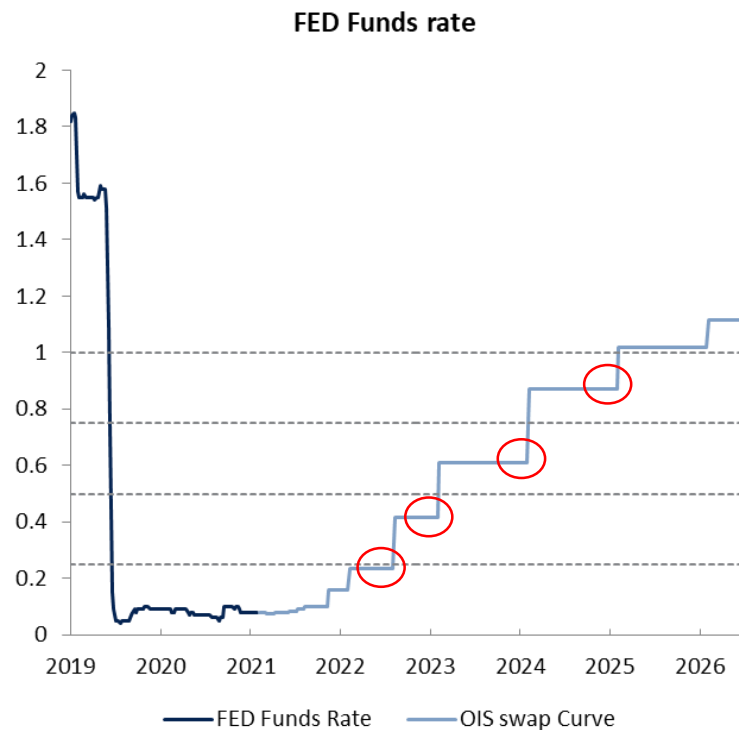


Sources: FRED , Bloomberg, DPAM – 10/2021



# MARKETS PRICE IN TIGHTENING

	Date of next rate hike	Cumulative tightening discounted by end-2022 (in bps)
New Zealand	Nov-21	193
Norway	Nov-21	144
UK	Dec-21	107
Canada	Feb-22	156
Australia	Jun-22	99
Euro Area	Jul-22	22
US	Jul-22	59
Switzerland	Dec-22	25
Sweden	Feb-23	20
Japan	Oct-23	8



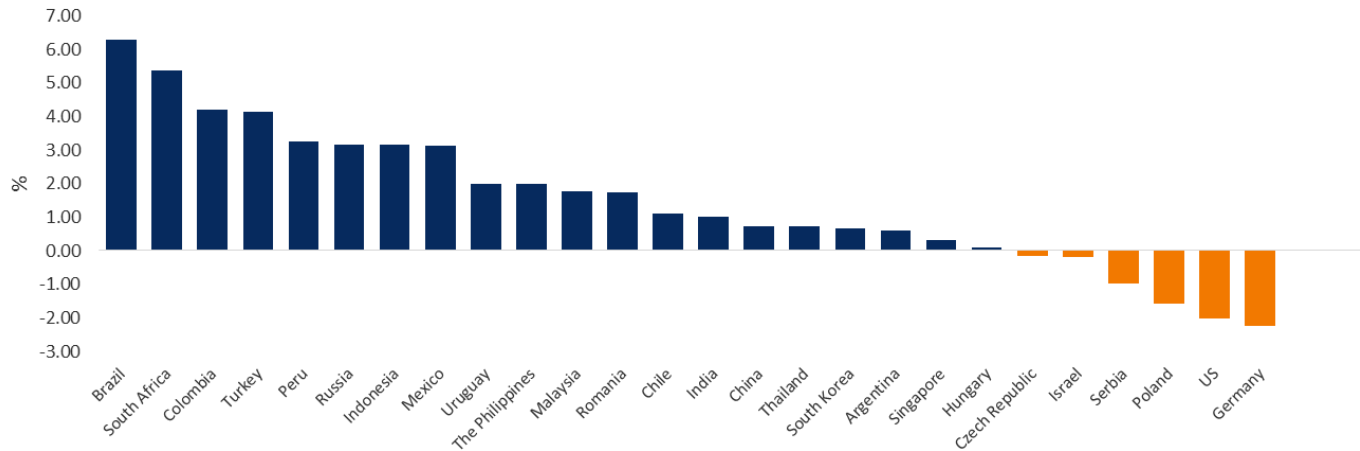
Source: BCA research, DPAM, Bloomberg – 01/11/2021

Source: BCA research, DPAM, Bloomberg – 12/11/2021

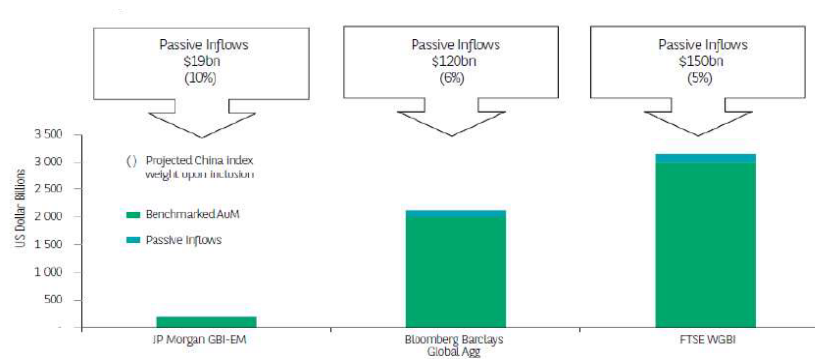


# EMERGING MARKET DEBT

## 10Y Real Yield across Emerging markets



## Expected inflows into onshore Chinese bonds from index inclusions



Sources: DPAM, Central Bank Publications, Bloomberg – 12/11/2021



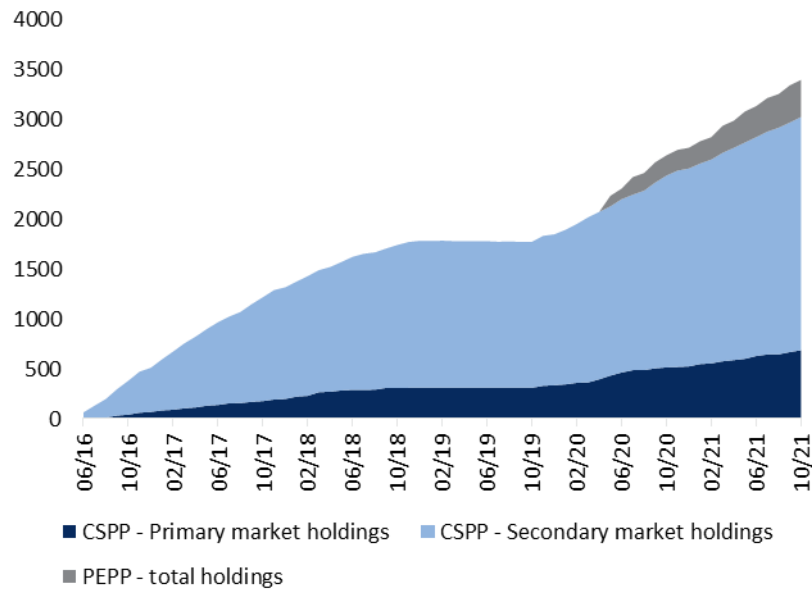
# 2

## CREDIT

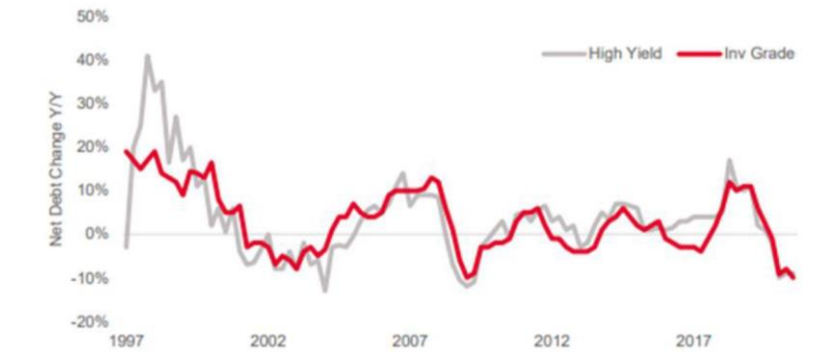


# CENTRAL BANKS & FUNDAMENTALS

**ECB Corporate Bond Purchases**  
total holding in bn EUR



**Corporates - Net Debt Change YoY**



Source: DPAM, Bloomberg, Société Générale – 31/10/2021

Source: DPAM, Bloomberg, Société Générale – 11/2021



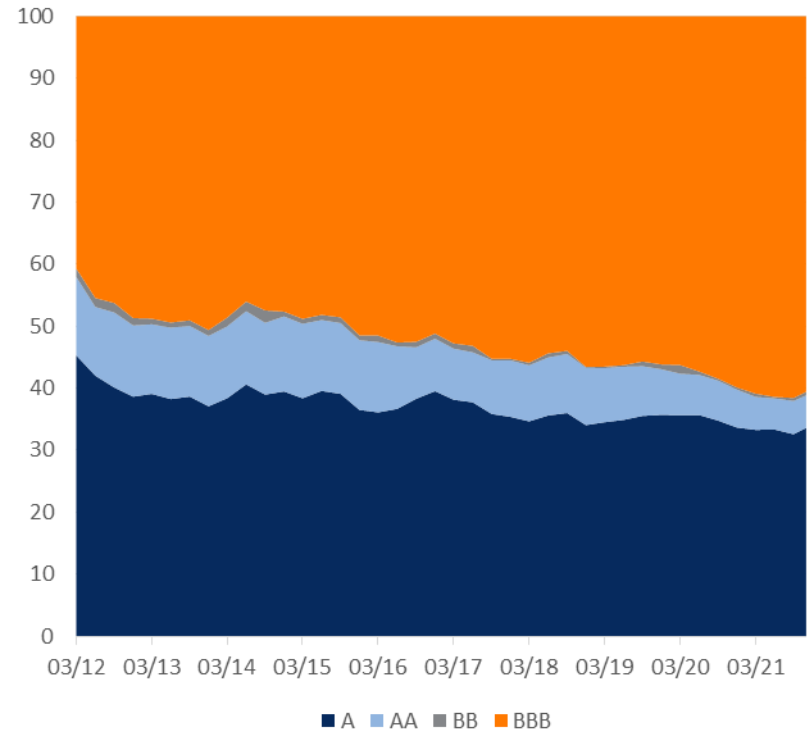
# VALUATIONS & QUALITY

## Investment Grade Spread



Source: DPAM, Bloomberg – 11/11/2021

## Evolution of Quality within IG



Source: DPAM, Bloomberg – 09/11/2021





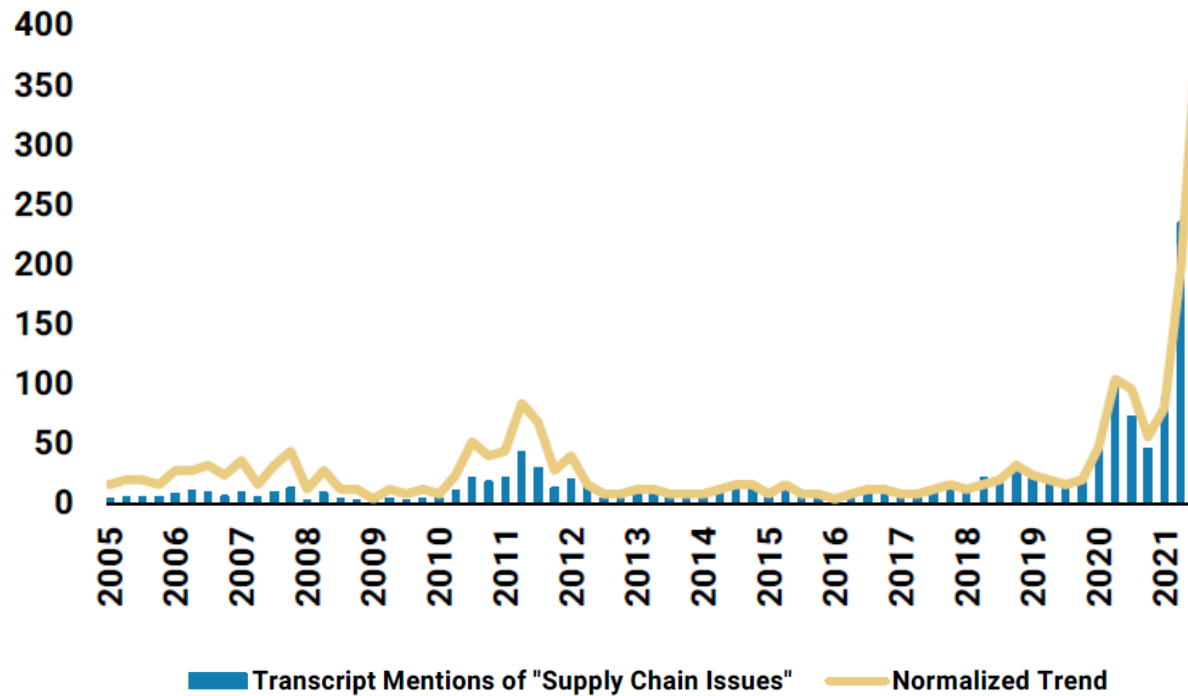
# 3

## EQUITY



# UNPRECEDENTED BOTTLENECKS

## Mentions of Supply Chain Issues

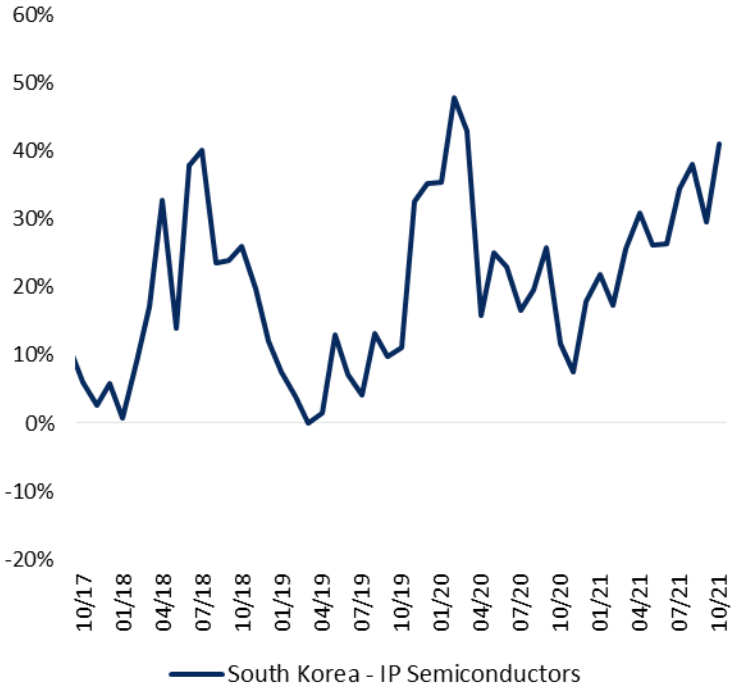


Source: Morgan Stanley – 04/10/2021

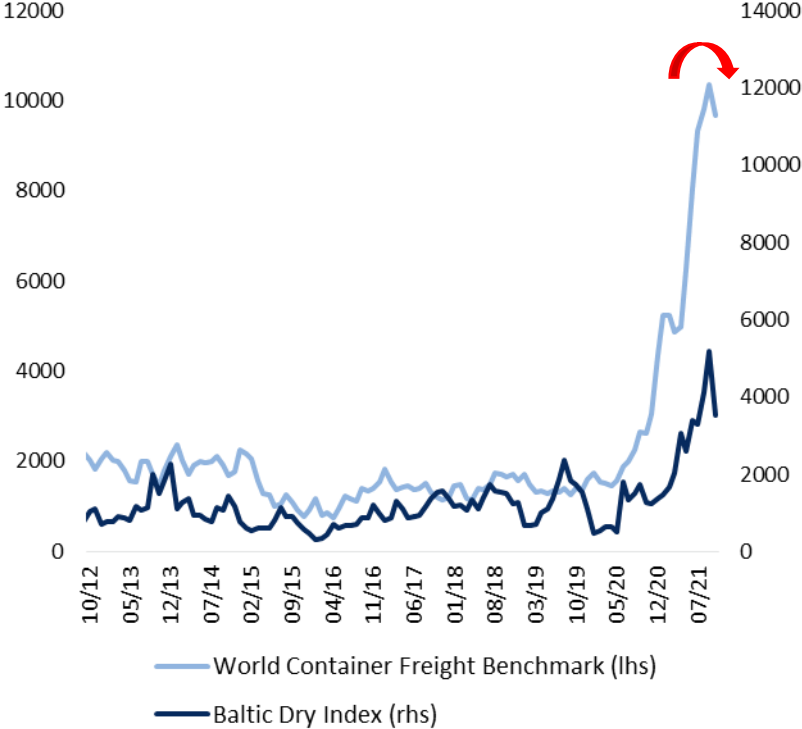


# SUPPLY ISSUES PAST PEAK ?

Semiconductor supply - YoY change



Transportation bottlenecks

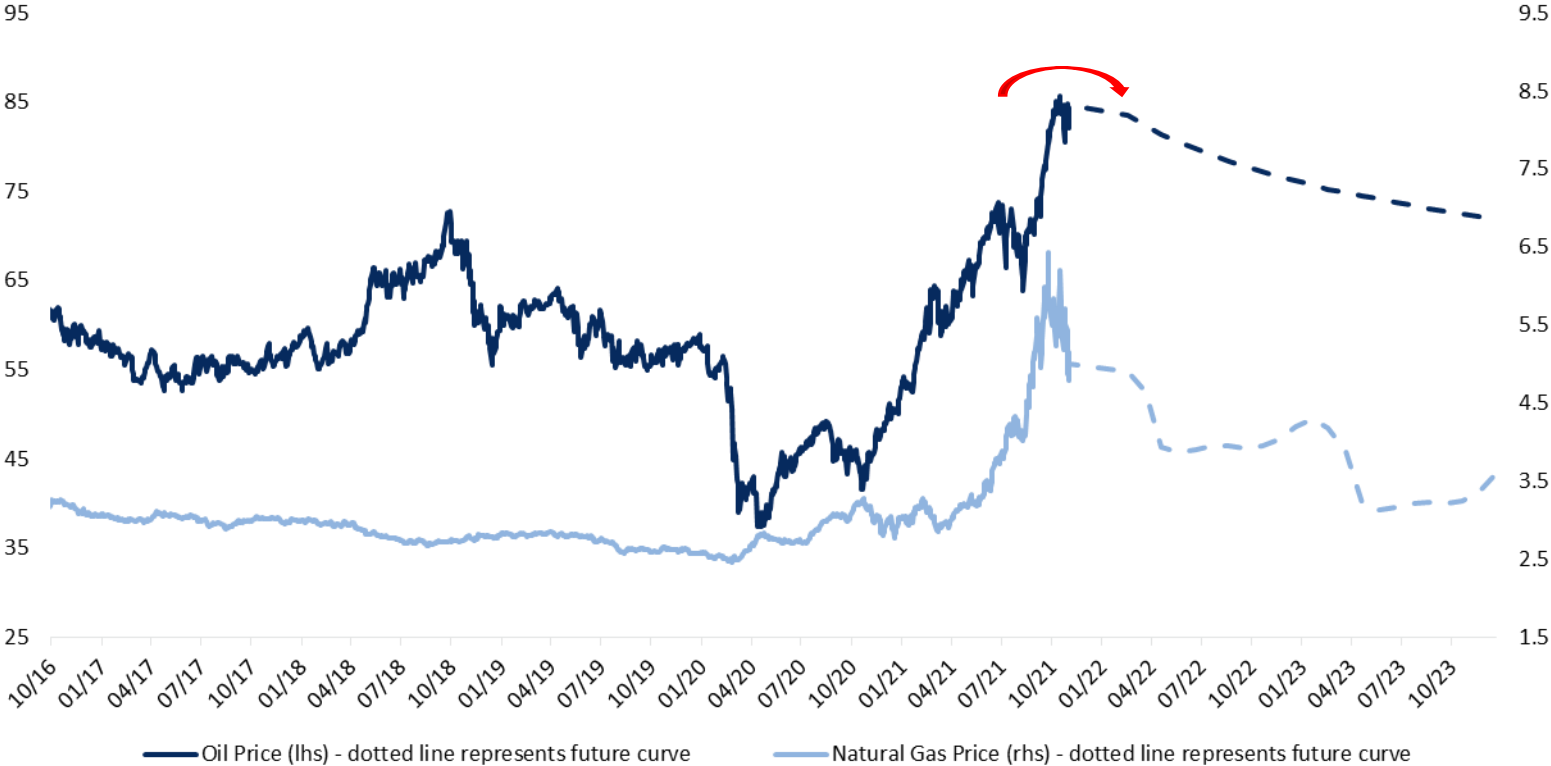


Sources: Bloomberg, DPAM – 31/10/2021



# ENERGY CURVES

## Energy prices

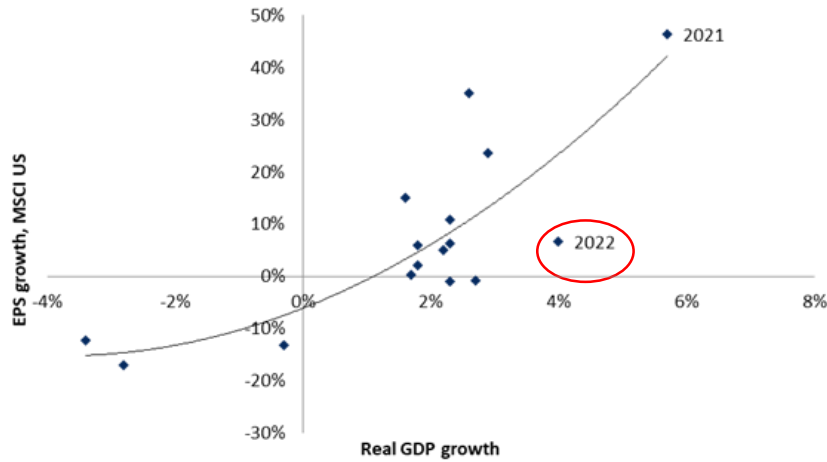


Sources: Bloomberg, DPAM – 17/11/2021

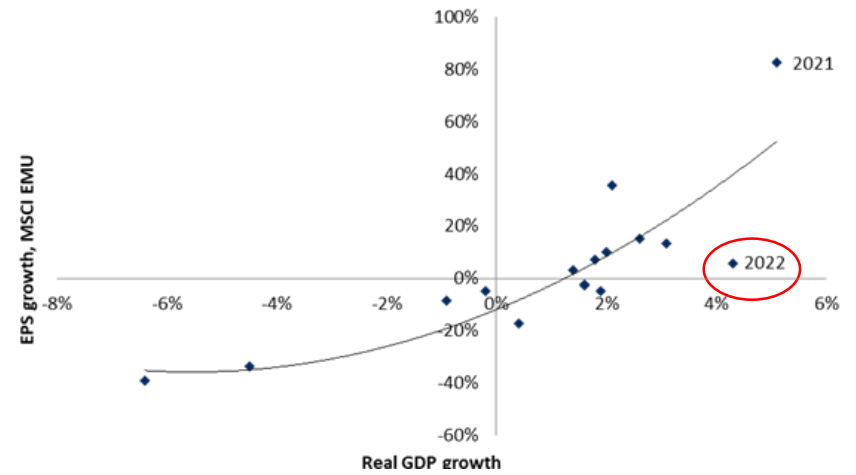


# SUPPORT #1 - EARNINGS REVISIONS

US GDP and EPS growth  
2007-2022



EMU GDP and EPS growth  
2007-2022



Sources: Factset, Bloomberg, DPAM – 12/11/2021

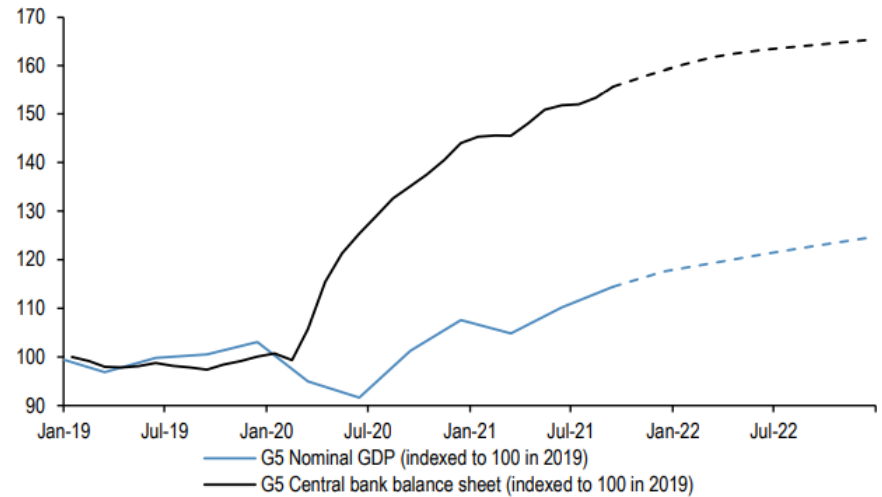


# SUPPORT #2 - FINANCIAL CONDITIONS

### GS US Financial Conditions Index



### G5 Central Bank Balance Sheet and Nominal GDP

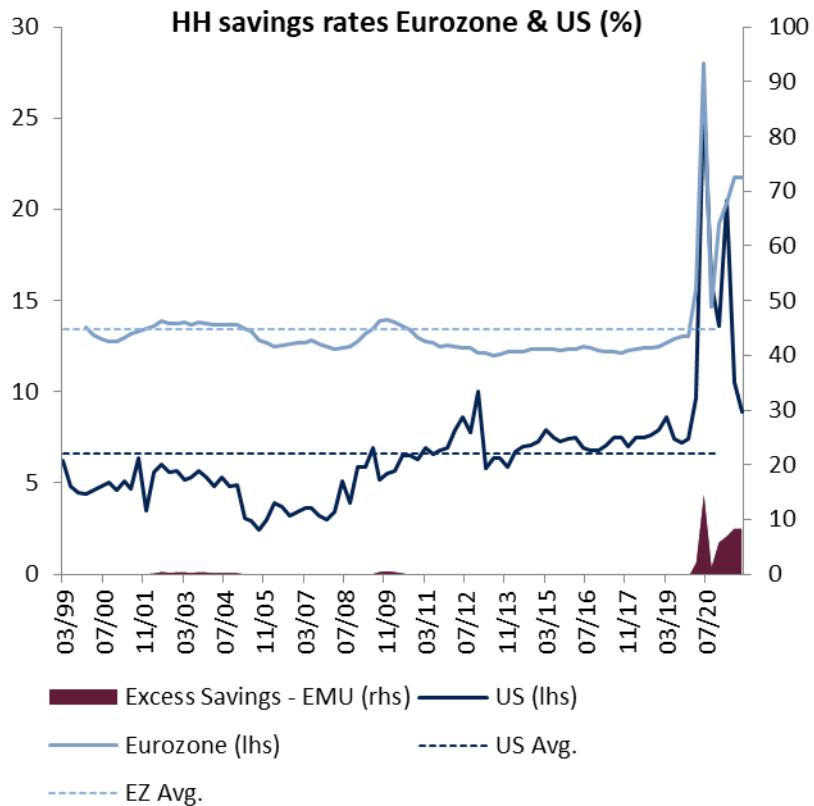


Sources: Goldman Sachs (left), JP Morgan (right), Bloomberg, DPAM – 10/11/2021

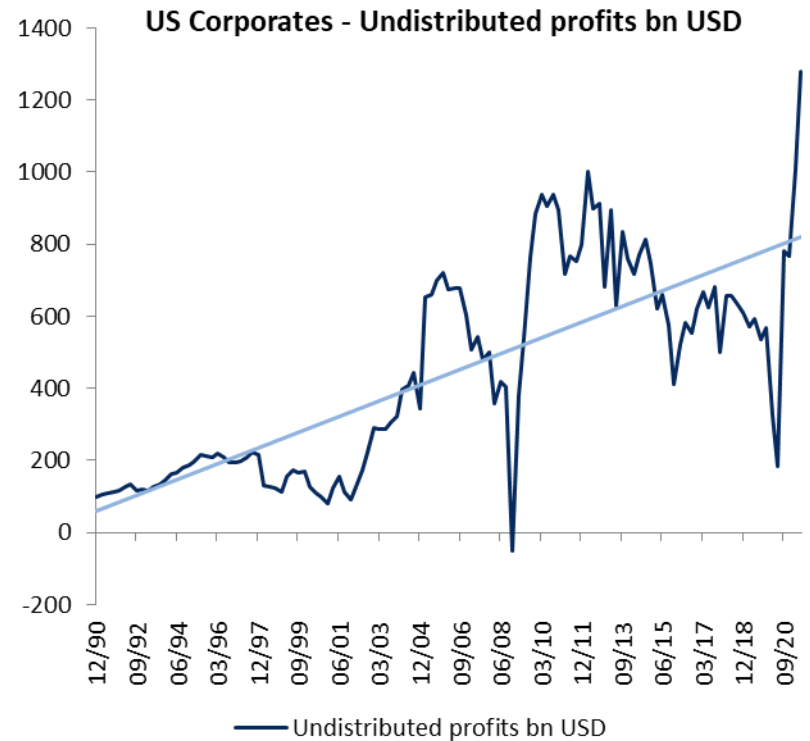
Sources: Goldman Sachs (left), JP Morgan (right), Bloomberg, DPAM – 01/11/2021



# SUPPORT #3 - HOUSEHOLD & CORPORATE SAVINGS



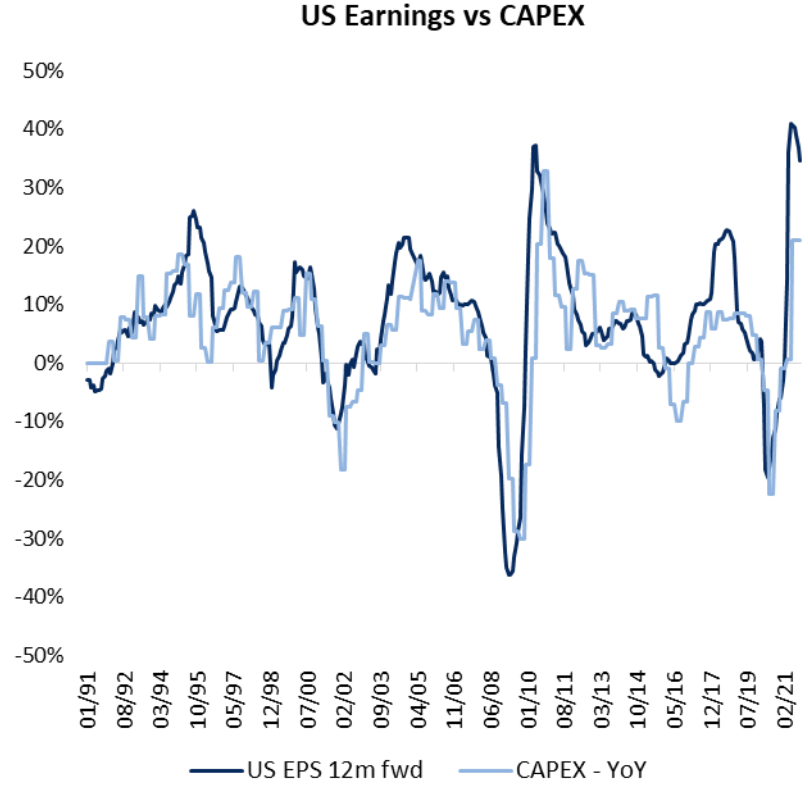
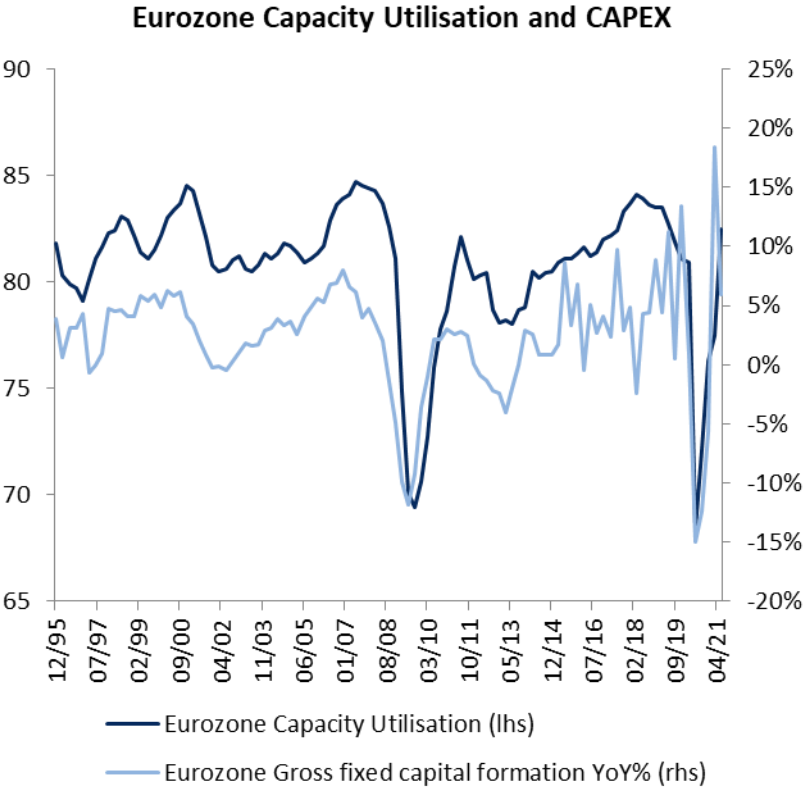
Sources: Bloomberg, DPAM – 30/09/2021



Sources: Bloomberg, DPAM – 30/06/2021



# SUPPORT #4 - CAPEX

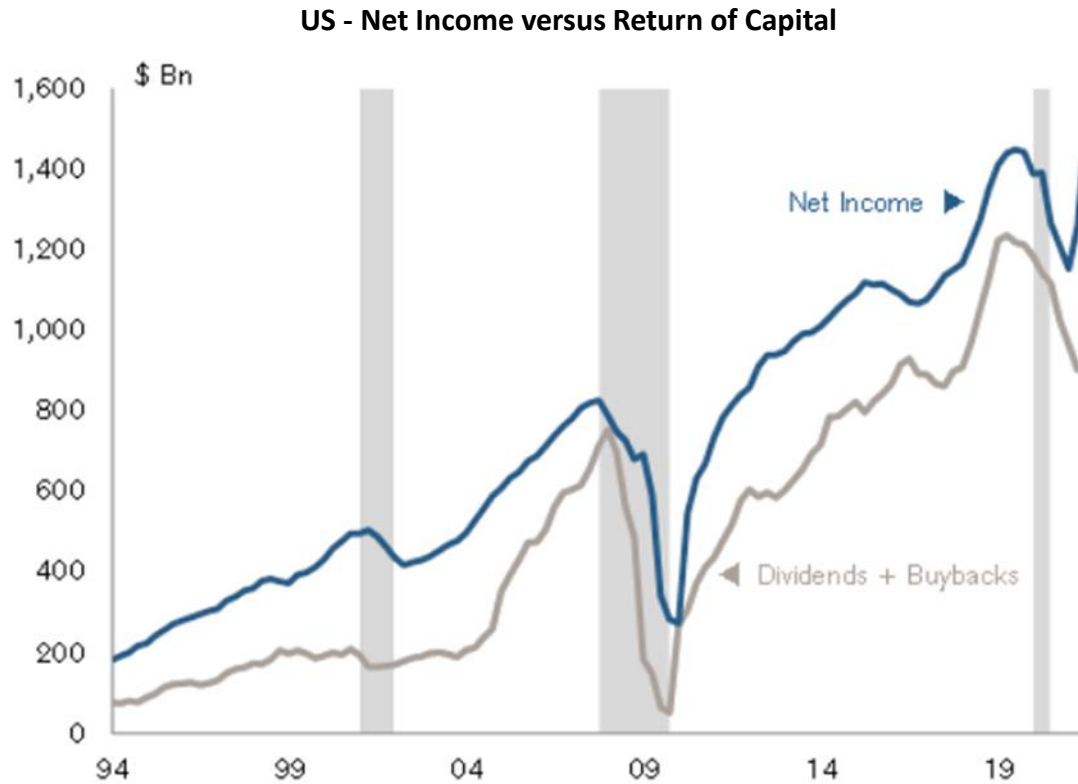


Source: Bloomberg, DPAM – 29/10/2021





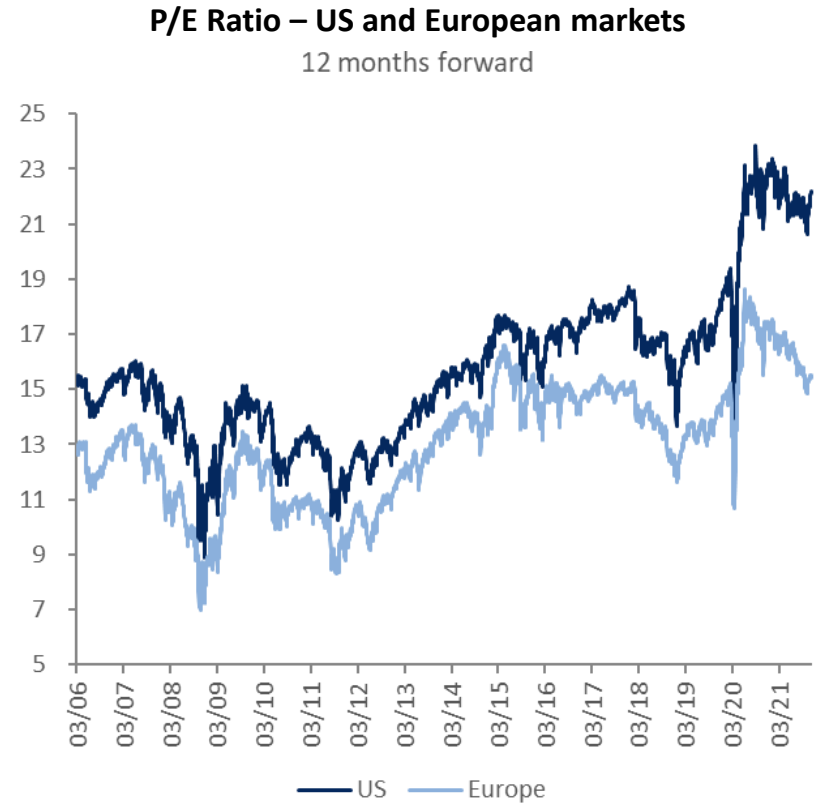
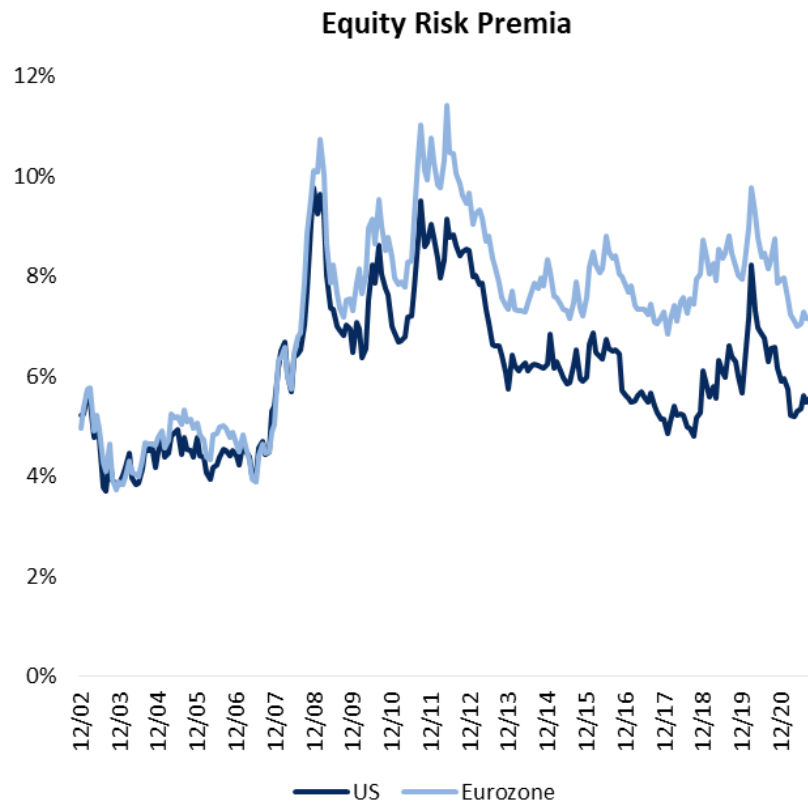
# SUPPORT #5 - SHAREHOLDER RETURN



Source: Credit Suisse – 14/09/2021



# SUPPORT #6 - ERP AND VALUATION

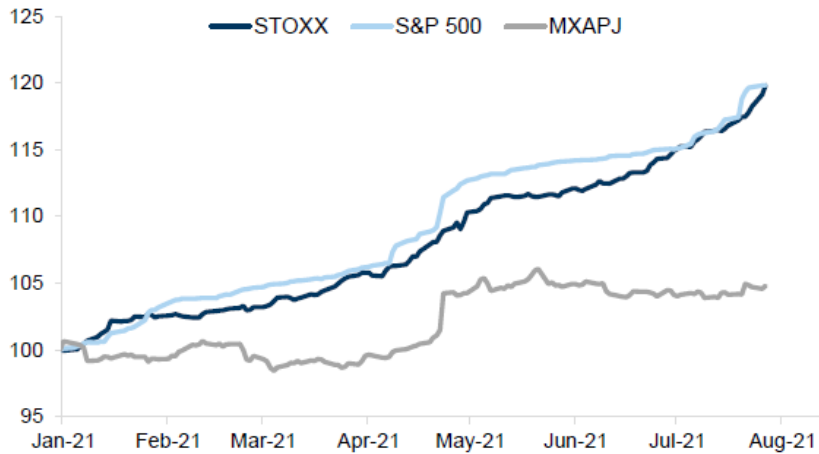


Source: Bloomberg, DPAM – 31/10/2021

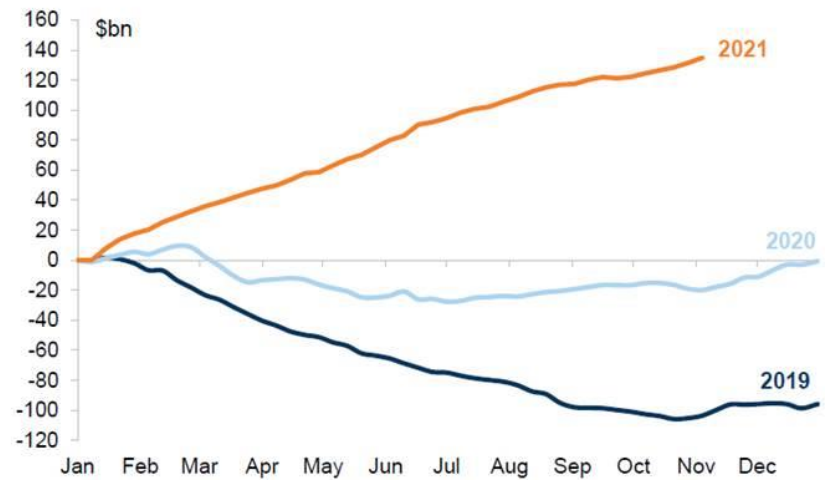


# FOCUS ON EUROPE

*As European EPS revisions have kept pace with US ...*



*... flows into Europe are making a comeback*



Source: EPFR, Goldman Sachs Global Investment Research

Calendarised weekly flows from global investors into European equity funds, EPFR Country Flows

Sources: Goldman Sachs, EPFR data – 10/08/2021

Sources: Goldman Sachs, EPFR data – 11/11/2021



# CONVICTION SHEET 2022

	--	-	/	+	++	Comment
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High Yield						



THANKS TO YOUR PARTICIPATION TO OUR OUTLOOK 2022: A SILVER LINING, DPAM WILL DONATE THEIR GOODIE-BUDGET TO “THE OCEAN CLEANUP”

*The Ocean Cleanup, a non-profit organization, is developing advanced technologies to rid the world's oceans of plastic.*



**CLEAN UP** what is already polluting our oceans



**INTERCEPT** plastic on its way to the ocean via rivers



**SCIENTIFIC RESEARCH**  
to understand the problem and develop cleanup solutions










© The Ocean Cleanup



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